

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

Basic Financial Statements
With Required Supplemental Information
And Independent Auditor's Reports

As of and for the period ended August 18, 2013



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SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report

As of and for the period ended August 18, 2013

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SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report

As of and for the period ended August 18, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Sunset Drainage District
St. Charles Parish
Paradis, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund information of Sunset Drainage District (the District), a component unit of St. Charles Parish, as of and for the seven months and eighteen days ended August 18, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information, of the Sunset Drainage District, as of August 18, 2013, and the respective changes in financial position for the eight months and eighteen days then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

As discussed in Note 10 to the financial statements, the accompanying financial statements have been prepared with the knowledge that the management and operation of the Sunset Drainage District will be assumed by the Parish of St. Charles, effective immediately. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6–10 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "T. S. Kearns & Co.", is positioned above the typed text.

Thibodaux, Louisiana
January 7, 2014

Required Supplemental Information
(Part 1 of 2)

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Management's Discussion and Analysis
For the period ended August 18, 2013

Effective August 2013, the operations and management of Sunset Drainage District were assumed by the Parish of St. Charles. All capital assets titled to the District were transferred to the Parish and on August 5, 2013, the District's Board of Commissioners was dissolved.

Our discussion and analysis of the Sunset Drainage District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the seven months and eighteen days ended August 18, 2013.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the end of the period by \$84,055.
- Cash and investments increased by \$38,614 or 88.9% from the prior year.
- Net position decreased by \$633,054 or 88.3% from the prior year.
- The District's revenues totaled \$17,241 for the year period ended August 18, 2013. These revenues are comprised primarily of royalty income, interest income and insurance refunds.
- Revenues decreased by \$213,485 or 92.5% from 2012.
- The District's expenditures totaled \$650,295 for the year period ended August 18, 2013. The expenditures are comprised primarily of personnel services and operating services.
- Expenditures increased by \$290,843 or 80.9% from 2012.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities found on pages 11 and 12 provide information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 13. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide sections of the statements by providing information about the District's significant funds.

A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

1. The Statement of Net Position and the Statement of Activities

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Management's Discussion and Analysis
For the period ended August 18, 2013

The government-wide financial statements present financial information for all activities of the District from an economic resource measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and the changes. The net position, the difference between the assets and the liabilities, are one way to measure the District's financial position or financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

B. REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

1. Fund Financial Statements

The fund financial statements provide detailed information about the District's governmental fund. All of the District's expenditures are reported in its governmental fund, which focus on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the expense paid from the fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future District expenditures. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in reconciliations on pages 15 and 16.

ANALYSIS OF THE DISTRICT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following amounts reflect condensed information on the District's net position:

	<u>August 18, 2013</u>	<u>2012</u>	<u>Difference</u>
Assets			
Current assets	\$ 93,948	\$ 229,656	\$ (135,708)
Noncurrent assets	-	492,674	(492,674)
Total assets	<u>93,948</u>	<u>722,330</u>	<u>(628,382)</u>

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Management's Discussion and Analysis
For the period ended August 18, 2013

Liabilities

Current liabilities	9,893	5,221	4,672
Total liabilities	<u>9,893</u>	<u>5,221</u>	<u>4,672</u>

Net Position

Investment in capital assets, net of depr	-	492,674	(492,674)
Unrestricted	<u>84,055</u>	<u>224,435</u>	<u>(140,380)</u>
Total net position	<u>\$ 84,055</u>	<u>\$ 717,109</u>	<u>\$ (633,054)</u>

- Current assets for the period decreased by \$135,708 or 59%. The District no longer receives funding from acreage tax; therefore, there is no current period receivable for acreage taxes, resulting in this decrease.
- At the end of the period, Sunset Drainage District held title to no capital assets. On August 1, 2013 all capital assets of the District were transferred to St. Charles Parish in preparation for the Parish's takeover of the drainage functions of the District.
- Total liabilities at the end of the period were \$9,893. This reflects a \$4,672 or 89.5% increase from 2012. This increase is due to accrued wages payable at the period end.
- Based upon the operation of 2013, the District's net position decreased by \$633,054 or 88.3% and resulted in ending net position of \$84,055.

The following table illustrates the revenues and expenses which generated the decrease in net position for the current period. Note that the current period includes only seven months and eighteen days which is shown in comparison to the 2012 calendar year.

	<u>August 18, 2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Revenue			
General Revenue:			
Acreage taxes	\$ -	\$ 204,526	\$ (204,526)
Oil & gas royalties & leases	13,935	23,204	(9,269)
Interest	44	108	(64)
Insurance claims	3,133	1,078	2,055
Other	<u>129</u>	<u>1,813</u>	<u>(1,684)</u>
Total revenue	17,241	230,729	(213,488)
Expenses			
Operating and maintaining drainage	<u>650,295</u>	<u>359,452</u>	<u>290,843</u>
Total expenses	<u>650,295</u>	<u>359,452</u>	<u>290,843</u>

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Management's Discussion and Analysis
For the period ended August 18, 2013

Change in net position	(633,054)	(128,726)	(504,328)
Net position, beginning of period	<u>717,109</u>	<u>845,835</u>	<u>(128,726)</u>
Net position, end of period	<u>\$ 84,055</u>	<u>\$ 717,109</u>	<u>\$ (633,054)</u>

- Total revenue for the period was \$17,241. This amount was \$213,488 or 92.5% lower than last year. The district no longer receives funding from the acreage tax, resulting in the current year decrease.
- Total expenses for the period were \$650,295. This amount was \$290,843 or 80.9% higher than last year. This increase is a result in the current year expense for "Transfer of Capital Assets to Parish" of \$476,905 which is the book value of the Districts assets on the date of transfer. On August 1, 2013, all capital assets of the District were transferred to St. Charles Parish in preparation for the Parish's takeover of the drainage functions of the District.

GOVERNMENTAL FUND

The District uses funds to help control and manage money for particular purposes. At the completion of the period, the District's governmental fund reported a fund balance of \$84,055, an increase of \$35,421 or 72.8% from 2012.

The District's total revenues were \$193,044, a decrease from 2012 of \$19,478 or 9.2%.

The District received \$3,133 in insurance refunds for policy adjustments and cancellations. The District's total expenses were \$157,623. This amount reflects a decrease of \$220,040 or 58.3%. Expenses for the current period only reflect eight months and eighteen days; prior year was a full twelve month year.

For the period, the District had excess of revenues under expenditures in the amount of \$35,421

CAPITAL ASSETS AND LONG-TERM DEBT

During the period, the District completed major repair work on Pump 2. The repair began in 2012 and the cost incurred of \$99,031 and was recorded as capital assets not being depreciated. The repair was completed in the current period at an additional cost of \$17,476. The repair was placed in service at the total cost of \$116,507.

On August 1, 2013, title to all assets of the District was transferred to St. Charles Parish in preparation for the Parish's takeover of the drainage functions of the District.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

Management's Discussion and Analysis
For the period ended August 18, 2013

There was no long-term debt activity during the period.

GENERAL FUND BUDGETARY HIGHLIGHTS

A budget to actual comparison schedule can be found on page 28. Note that the original budget was for a twelve month period and was not amended. However, the period of these financial statements includes only a seven month and eighteen day period.

ECONOMIC FACTORS

On August 18, 2013, due to lack of funding, the District's operations were overtaken by the Parish of St. Charles.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. L.J. Frickey, Secretary/Treasurer, 152 Bayou Estates Drive, Des Allemands, Louisiana 70030.

CLOSING COMMENTS

For over a hundred years, the Sunset Drainage District has been charged with maintaining the levee systems and drainage for parts of the Bayou Gauche, Des Allemands and Paradis area. It is with great regret that the Board has surrendered its duties to St. Charles Parish; we are very proud of the progress that has been made throughout the parish in providing drainage to all our citizens.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Statement of Net Position
August 18, 2013**

	<u>Governmental Activites</u>
ASSETS	
Current assets	
Cash	\$ 83,441
Receivables:	
Acreage tax	-
Royalties receivable	1,481
IRS refund receivable	9,026
	<u>93,948</u>
Total current assets	
Noncurrent assets	
Capital assets not being depreciated	-
Capital assets, net of accumulated depreciation	<u>-</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>93,948</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,776
Payroll withholdings payable	2,682
Accrued wages payable	5,435
	<u>9,893</u>
Total current liabilities	<u>9,893</u>
Total liabilities	<u>9,893</u>
NET POSITION	
Investment in capital assets, net of related debt	-
Unrestricted	84,055
	<u>84,055</u>
Total net position	<u>\$ 84,055</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Statement of Activities
For the Period Ended August 18, 2013**

	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expenses) Revenues And Changes in Net Position
Governmental:					
Drainage:					
Advertising	\$ 97				\$ (97)
Equipment repair	2,543				(2,543)
Fuel	3,062				(3,062)
Insurance	1,251				(1,251)
Legal & accounting	10,525				(10,525)
Material & supplies	6,232				(6,232)
Miscellaneous	833				(833)
Office supplies	645				(645)
Per diem	4,485				(4,485)
Salaries	77,053				(77,053)
Secretary/Treasurer	2,250				(2,250)
Taxes - payroll	5,905				(5,905)
SIMPLE expense	2,664				(2,664)
Employee health ins expense	18,684				(18,684)
Telephone	2,196				(2,196)
Utilities	1,720				(1,720)
Depreciation expense	33,245				(33,245)
Total Drainage	173,390	-	-	-	(173,390)
Extraordinary item - transfer capital assets to Parish of St. Charles	476,905				(476,905)
Total governmental activities	\$ 650,295	\$ -	\$ -	\$ -	\$ (650,295)

General Revenues

Oil & gas royalties & leases	\$ 13,935
Interest	44
Insurance refunds	3,133
Other	129

Total general revenues 17,241

Change in net position (633,054)

Net position:

Beginning of the period, January 1, 2013 717,109

End of the period, August 18, 2013 \$ 84,055

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Balance Sheet - Governmental Fund
August 18, 2013**

	General Fund
ASSETS	
Cash	\$ 83,441
Receivables:	
Royalty receivable	1,481
IRS refund receivable	<u>9,026</u>
Total assets	<u>\$ 93,948</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,776
Payroll withholdings payable	2,682
Accrued wages payable	<u>5,435</u>
Total liabilities	<u>9,893</u>
Fund balance	
Fund balance - unassigned	<u>84,055</u>
Total fund balance	<u>84,055</u>
Total liabilities and fund balance	<u>\$ 93,948</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Period Ended August 18, 2013**

	General Fund
Revenues	
Acreage tax	\$ 175,803
Oil & gas royalties & leases	13,935
Interest	44
Other	129
	<hr/>
Total revenues	189,911
	<hr/>
Expenditures	
Advertising	\$ 97
Equipment repair	2,543
Fuel	3,062
Insurance	1,251
Insurance - employee health	18,684
Legal & accounting	10,525
Material & supplies	6,232
Miscellaneous	835
Office supplies	645
Per diem	4,485
Salaries	77,053
Secretary/Treasurer	2,250
Taxes - payroll	5,905
SIMPLE expense	2,664
Telephone	2,196
Utilities	1,720
Capital outlay	17,476
	<hr/>
Total expenditures	157,623
	<hr/>
Excess of revenues over (under) expenditures	32,288
	<hr/>
Other financing (sources) and uses	
Insurance refunds	\$ 3,133
	<hr/>
Total other financing sources	3,133
	<hr/>
Excess of revenues and other financing sources over (under) expenditures	35,421
	<hr/>
Fund balance	
Beginning of period, January 1, 2013	48,634
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End of period, August 18, 2013	\$ 84,055
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The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position
August 18, 2013**

Total Fund Balances - Governmental Funds	\$ 84,055
Total Net Position - Governmental Activities	<u>\$ 84,055</u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Reconciliation of the Net Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the period ended August 18, 2013**

Net Change in Fund Balances - Governmental Fund	\$	35,421
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The change in net position for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased	17,478		
Depreciation expense	<u>(33,245)</u>		(15,767)

In the statement of activities, the transfer of capital assets to the parish is reported. The change in net assets differs from the change in fund balance by the carrying value of the capital assets transferred.

Transfer of Capital Assets to the Parish			(476,905.00)
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Maintenance tax revenue and expenses in the statement of activities that do not provide current resources is not reported as revenue in the fund financial statements.

Difference in acreage tax revenue	(175,803)		<u>(175,803)</u>
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Change in Net Position - Governmental Activities	\$	<u><u>(633,054)</u></u>
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Notes to the Financial Statements

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

INTRODUCTION

The Sunset Drainage District of St. Charles Parish was established May 16, 1924 for the purpose of operating and maintaining drainage facilities within the district boundaries. It has been controlled by a five member board of commissioners appointed by the St. Charles Parish Council until August 18, 2013 when management and operations were assumed by the Parish of St. Charles.

These financial statements and related notes to the financial statements report as of and for the seven months and eighteen days ended August 18, 2013.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying financial statements of the Sunset Drainage District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting entity

As the governing authority of the parish, for reporting purposes, the St. Charles Parish Council is the financial reporting entity for St. Charles Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is classified as a component unit of St. Charles Parish because the parish council appoints the organizations governing body and because there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council. The accompanying financial statements present information only on the funds maintained by the District as of August 18, 2013 and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

C. Government-wide accounting

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Position and a Statement of Activities for the District as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods and services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Position except for the net residual amounts due between governmental and business-type activities, these are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Program Revenues

The Statement of Activities presents two categories of program revenues — (1) charges for services; and (2) operating grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the District. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use. The District does not have any revenue from charges for services.

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the District has chosen not to do so.

Operating Revenues

Proprietary funds separately report operating and non-operating revenues. The District does not have any proprietary funds.

Restricted Net Position

Restricted net position are those for which a constraint has been imposed either externally or by law. The District recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net position are used.

D. Fund Accounting

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Funds

Governmental funds account for all of the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the District and accounts for all financial resources. It is the District's only governmental fund.

E. Basis of Accounting / Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accounting and financial reporting treatment applied to a fund is determined by the type of financial statement presentation.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Position. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

The fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The District considers revenues to be "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources. Depreciation is a cost that is not recognized in the governmental funds. The District does not have any business-type activities.

F. Budgets

The District adopted the budget for the General Fund for the year ended December 31, 2013 as required by Louisiana Revised Statutes 39:1303-1305. Budget integration was employed as a management control device during the year. Unexpended appropriations lapse at year end, and must be reappropriated in the next year's budget to be expended. The board of commissions reserves all authority to make changes to the budget. The budget is prepared on the cash basis, which is a non-GAAP basis of accounting.

Budgeted amounts included in the accompanying financial statements include the original adopted budget. The district did not budget beginning or ending fund balance for the calendar year ended December 31, 2013. The 2013 budget was not amended.

G. Encumbrances

The District does not use encumbrance accounting.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

H. Cash and cash equivalents, and investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, and time deposits. Investments included amounts in the Louisiana Asset Management Pool. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These would be classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are to be classified as cash equivalents. Investments are to be stated at cost.

The District invested funds in the Louisiana Asset Management Pool (LAMP). LAMP is a local government 2a7-like investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment. For financial statement purposes, LAMP investments are valued and reported at fair value. A 2a7-like pool is an external investment pool that is not registered with the Securities and Exchange commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

I. Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings & Improvements	5 – 30 years
Equipment	5 – 15 years
Office furniture	5 – 7 years
Vehicles	5 – 15 years

L. Compensated absences

The District has the following policy relating to vacation and sick leave:

Employees of the District earn from 5 to 20 days of vacation leave each year, depending on their length of service. All employees earn 6 days of sick leave each year. Sick leave may be accumulated to a maximum of 30 days. Upon retirement or death, unused accumulated vacation for the year is paid to the employee or to the employee's estate at the employee's current rate of pay. Vacation leave cannot accrue from one year to the next.

In accordance with GASB Statement No. 16, the cost of vacation leave is accrued only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The costs of sick leave privileges are not recorded as liabilities in the financial statements because they will not result in termination payments. There is no liability for vacation leave as of the end of the year because the employees' vacation leave cannot be accrued from one year to the next.

M. Net Position/Fund Balances

In the Government Wide Financial Statements, the difference between a government's assets and liabilities is recorded as net position. The three components of net position are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

Restricted Net Position

Net position that are restricted by external sources such as creditors, grantors, contributors, or by law through either enabling legislation or constitutional provisions are reported separately as restricted Net position. When assets are required to be retained in perpetuity, these non-expendable net position are recorded separately from expendable net position. These are components of restricted net position.

Unrestricted Net Position

All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balance of the governmental fund is classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal decision of the Board of Commissioners.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

NOTE 2. MAINTENANCE TAXES

In 1989, the Sunset Drainage District of St. Charles Parish was authorized under L.S.A. R.S. 38:1674.14 to levy an annual acreage tax in an amount not to exceed \$20.00 per acre on each acre of land within the boundaries of the district for the purpose of improving, operating and maintaining drainage facilities. For the period ended August 18, 2013, the district levied an acreage tax of \$20.00 per acre of land.

The acreage tax is due on December 1 and is considered delinquent if not paid by December 31. Most of the tax revenues are collected during the months of December and January. The St. Charles Parish Sheriff's Office acts as the collection agent for these taxes.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

The acreage tax revenue is recorded in the government-wide and fund financial statements as follows:

Government-wide financial statements

In the government-wide financial statements, acreage taxes receivable is recorded for the total amount assessed. Acreage tax revenue is recorded as the total amount assessed plus prior year taxes collected during the current year. An allowance for doubtful accounts is not recorded by the District because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

Fund financial statements

In the fund financial statements, the District records acreage tax revenue in the year following the assessment, when the majority of the taxes is actually collected. The District records the taxes in this manner because the Board does not consider the taxes that are assessed in the current year to be "available" to pay current year expenditures because most of it will not be collected until after year-end. Accordingly, the Board budgets the tax revenue to be spent in the year that it is collected and not when it is assessed.

NOTE 3. CASH AND INVESTMENTS

At August 18, 2013, the District's cash consisted of the following:

At period-end, the carrying amount of the District's checking account (book balance) was \$83,441, earning a 0.05% rate of interest.

The balance of the District's checking account (bank balance) totaled \$85,561. The difference in the book and bank balance for this account relates to deposits made and checks written which were in transit at period-end. This amount was secured by FDIC insurance (Category 1). There were no amounts unsecured.

The LAMP account was closed during the period. The District had no other investments.

NOTE 4. CHANGES IN CAPITAL ASSETS

Capital asset activity for the period ended August 18, 2013 was as follows:

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

	Balance at 12/31/2012	Additions	Removed	Balance at 8/18/2013
Capital assets not being depreciated:				
Equipment Repairs in Progress	\$ 99,031	-	\$ (99,031)	\$ -
Land	251,728	-	(251,728)	-
Total capital assets not being depreciated	350,759	-	(350,759)	-
Capital assets being depreciated:				
Equipment	845,125	116,507	(961,632)	-
Buildings & improvements	827,194	-	(827,194)	-
Total capital assets being depreciated	1,672,319	116,507	(1,788,826)	-
Less: accumulated depreciation	(1,530,404)	(33,245)	1,563,649	-
Total capital assets being depreciated, net	141,915	83,262	(225,177)	-
Total capital assets, net	\$ 492,674	\$ 83,262	\$(575,936)	\$ -

Depreciation expense for the period was \$33,245.

In August 2013, the operations and management of Sunset Drainage District were assumed by the Parish of St. Charles. All capital assets, with a total book value of \$476,905, were transferred to the Parish.

NOTE 5. RETIREMENT PLAN

Plan Description: Sunset Drainage District offers a Savings Incentive Match Plan (SIMPLE) plan for eligible employees. This plan is being managed by Oppenheimer Funds. To be eligible to participate, employees must have at least two years of service during which they have earned \$5,000 and expect to earn \$5,000 during the current year. All of the employees of Sunset Drainage District are eligible and do participate in this SIMPLE plan. Withdrawals made by employees before attaining age fifty-nine and one-half years old and within two years from the date of joining the plan may be subject to a 25% premature withdrawal penalty tax. After two years of participation, a 10% early withdrawal penalty tax may be imposed on these employees. Distributions must start no

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

later than April 1 of the year after the year that the individual reaches seventy and one-half years old.

Funding Policy: The plan is funded by both the employee and employer. The employee determines the amount or portion of their income that he or she wants to contribute to the plan. This "contribution" is made on a pre-tax basis, thereby reducing the amount of employee's income that is subject to federal taxation. Employees are allowed to put up to 100% of their income with a maximum contribution of \$12,000 a year or \$14,500 if the employee has reached 50 years of age or older. The employee has a choice of various funds into which he or she may invest his or her money. The rate of return on these funds varies with each fund. The employer's portion of the funding is done by way of a match. The employer matches the employee's contribution dollar for dollar, up to 3% of each individual's compensation to a maximum of \$8,000 per year. This amount can be reduced to a minimum of 1% for any two years out of a five-year period. For the period ending August 18, 2013, the amount of the employee's portion of the funding is \$7,405. For period August 18, 2013 and years 2012 and 2011, the amount of the employer's portion of the funding was \$2,223, \$3,957, and \$4,440, respectively.

NOTE 6. OTHER POSTEMPLOYMENT BENEFITS

The District provides no other postretirement benefits.

NOTE 7. LEASES

The District had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the district's insurance coverage.

SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Period Ended August 18, 2013

NOTE 9. ECONOMIC DEPENDENCY

For the past several years, Sunset Drainage District's primary source of support has been through a Cooperative Agreement with St Charles Parish. Beginning with 2012, the Parish has decided to discontinue this support. This reduction in income has significantly impacted the financial condition of the District. See note 10 for more information.

NOTE 10. EMPHASIS OF MATTER REGARDING GOING CONCERN

In 2011, the state Legislature approved a law allowing the parish to take over Sunset Drainage District by December 2012. The law was amended to allow for an additional year for the transfer to take place. In 2012, the Parish discontinued its financial support to the District, thus forcing the District's board to request that the Parish assume the operation and management of the District's functions.

The accompanying financial statements have been prepared with the knowledge that the management and operation of the Sunset Drainage District will be assumed by the Parish of St. Charles. The District no longer receives funding for operations and has depleted all resources. The District's board has been disbanded; all capital assets have been transferred to the Parish with the remaining assets to be transferred by year end. The Parish of St. Charles has assumed all management and operation of the District's functions.

NOTE 11. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through January 7, 2014, which is the date the financial statements were available to be issued.

NOTE 12. LITIGATION AND CLAIMS

At August 18, 2013, the district had no litigation or claims pending.

Required Supplemental Information
(Part 2 of 2)

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis)
For the period ended August 18, 2013**

	Original Budget	Actual	Variance - Positive (Negative)
Revenues			
Acreage taxes	\$ 174,000	\$ 175,803	\$ (1,803)
Oil & gas royalties & leases	20,000	12,455	7,545
Interest	1,000	44	956
Other	2,000	129	1,871
Total revenues	<u>197,000</u>	<u>188,431</u>	<u>8,569</u>
Expenditures			
Advertising	500	97	403
Contract labor	40,000	-	40,000
Equipment repair	40,000	2,055	37,945
Fuel	74,000	3,062	70,938
Insurance	85,000	370	84,630
Legal & accounting	20,000	10,525	9,475
Material & supplies	20,000	6,291	13,709
Miscellaneous	3,000	833	2,167
Office supplies	700	793	(93)
Per diem	4,200	4,485	(285)
Professional services	3,000	-	3,000
Salaries	140,407	71,619	68,788
Secretary/Treasurer	3,000	2,250	750
Taxes - payroll	7,000	5,905	1,095
SIMPLE expense	-	2,664	(2,664)
Employee Health Insurance	5,000	18,684	(13,684)
Telephone	3,000	2,196	804
Utilities	5,500	1,476	4,024
Capital Outlay	10,000	17,476	(7,476)
Total expenditures	<u>464,307</u>	<u>150,781</u>	<u>313,526</u>
Excess of revenues over (under) expenditures	(267,307)	37,650	(304,957)
Other financing (sources) and uses			
Insurance refunds	-	3,133	(3,133)
Total other financing sources	-	3,133	(3,133)
Excess of revenues and other financing sources over (under) expenditures	(267,307)	40,783	(308,090)
Fund Balance			
Beginning of period	not budgeted	(6,995)	
End of period		<u>\$ 30,655</u>	

Supplemental Information Schedules

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Schedule of Compensation Paid to Board Members
For the period ended August 18, 2013**

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. R.S. 38:1607 authorizes each commissioner to receive compensation of not more than sixty-five dollars per day including all actual expenses, while attending to the business of the district.

<u>Member</u>	<u>Per Diem</u>	<u>No. of Days</u>	<u>Total Per Diem</u>
Eric Matherne	\$ 65	18	\$ 1,170
Curlis Matherne	65	12	780
Glen Gros	65	13	845
James Estay, Jr.	65	13	845
Richard Bordner	65	13	845
			<hr/>
Total			<u><u>\$ 4,485</u></u>

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Summary Schedule of Prior Year Audit Findings
As of and for the Period Ended August 18, 2013**

Section I – Internal Control Findings

Ref. No. 1212-01 – Lack of Segregation of Duties

Fiscal year finding initially occurred

Fiscal year ended December 31, 1996

Description of Finding

Internal Control Material Weakness. The size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken

No corrective action was taken because of the size of the entity.

Ref. No. 1212-02 - Inadequate Controls over Financial Statement Preparation

Fiscal year finding initially occurred

Fiscal year ended December 31, 1996

Description of Finding

A material weakness exists in financial reporting because the District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Taken

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the District at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Current Year Findings and Management's Corrective Action Plan
As of and for the Period Ended August 18, 2013**

Section I – Internal Control Findings

Ref. No. 1308-01

Description of Finding

Internal Control Material Weakness. The size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Planned

No corrective action is planned because of the size of the entity.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common audit finding noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The finding cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
ST. CHARLES PARISH
Paradis, Louisiana**

**Current Year Findings and Management's Corrective Action Plan
As of and for the Period Ended August 18, 2013**

Ref. No. 1308-02

Description of Finding

Inadequate Controls over Financial Statement Preparation

A material weakness exists in financial reporting because the District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Plan

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the District at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Section II - Compliance Findings

None

**OTHER REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Sunset Drainage District
St. Charles Parish
Paradis, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund information of Sunset Drainage District (the District), a component unit of St. Charles Parish, as of and for the period ended August 18 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year findings and management's corrective action plan, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule current year findings

and management's corrective action plan to be material weaknesses, see findings 1308-01 and 1308-02 on pages 31 & 32.

Compliance and Other Matters

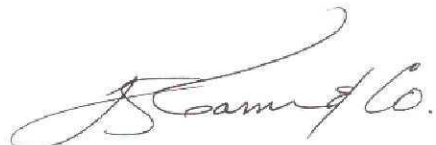
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of current year findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Thibodaux, Louisiana
January 7, 2014